



INADEQUATE FINANCIAL AID FOR HIGHER EDUCATION PUTS BRAKES ON OPPORTUNITY

Meaningful access to higher education is a cornerstone of economic opportunity. Higher educational attainment strengthens the workforce, increases earnings, and often leads to a better quality of life—for individuals and the broader society. Limited financial aid, however, undermines Texans' participation and success in our colleges and universities. Denied student aid, many students and families either postpone higher education or turn to the increasingly unstable student loan market. To remain competitive in the global marketplace, Texas must support students who are seeking higher education. This policy page discusses the underfunding of Texas' financial aid programs and the Texas Higher Education Coordinating Board's strategies to improve educational participation and success.

- **Only about half of eligible students receive a TEXAS Grant award due to inadequate state funding.**
- **The average household adjusted gross income of TEXAS Grant students is approximately \$29,000 a year.**
- **Only 4 percent of eligible students receive the Texas Educational Opportunity Grant, which supports needy community college applicants.**
- **Fewer than half (49 percent) of first-year community college students return for a second year, ranking Texas 40th in the United States.**
- **The Higher Education Coordinating Board has requested more than \$650 million in additional financial aid for 2010 and 2011.**

Legislative Charge to Coordinating Board for a Study

The 80th Legislature authorized the Texas Higher Education Coordinating Board to hire a consultant to examine the state's financial aid programs. Rider 49 of the General Appropriations Act tasked the Coordinating Board with conducting a feasibility study for the purposes of restructuring the state's financial aid programs. Among other provisions, the Act required the study to include:

- Feasibility of converting the TEXAS Grant program—the primary financial aid program to support students attending 4-year universities—and all state financial programs into a direct student grant program based on a uniform assessment of financial need;
- Analysis of the effects of requiring completion of the Free Application for Federal Student Aid (FAFSA) as a condition of initial enrollment in a Texas public higher education institution; and
- An analysis of the effects of using tuition deregulation and Texas Public Education Grants state tuition set-asides as an additional funding source of TEXAS Grants.

Currently, TEXAS Grants are delivered at the institutional level, with the universities supplementing state financial aid resources with Texas Public Education Grants (TPEG), set-aside funding required under the tuition deregulation statute enacted in 2003.

In July 2008, Higher Education Insight Associates (HEIA)—the consultant hired to conduct the feasibility study—submitted their report to the

Coordinating Board. Major findings of the report include the following:

- Texas’ student financial aid programs—TEXAS Grants, Tuition Equalization Grants, and the Texas Educational Opportunity Grant—appear to hit the right targets, overwhelmingly serving low-income and minority students;
- TEXAS Grant students perform well, nearing national averages in graduation and persistence.

The consultants recommended maintaining the TEXAS Grant as the cornerstone financial aid program, eventually merging with the Tuition Equalization Grant and the Texas Educational Opportunity Grant. Finally, they wanted Texas to ensure that “the least advantaged students, those from families in the three lowest income quintiles, receive the greatest benefit from state grant funds.”¹

At the same time, they also urged the Coordinating Board to add a merit component for initial eligibility for the TEXAS Grant. In order to qualify, students must meet the need threshold while also meeting an additional academic benchmark (see chart below).

The Coordinating Board Response

In response to the consultant’s study, the Coordinating Board adopted the vast majority of the proposed recommendations. At the October 2008 meeting, the

Board adopted several proposals that do not require legislative approval, including:

- Maintain the TEXAS Grant as the cornerstone financial aid program;
- Maintain a system whereby higher education institutions administer TPEG set-aside funds; and
- Maintain the B-on-Time Loan Program in its current structure to incentivize full-time students towards completion;

The Board rejected the consultant’s recommendations to:

- Merge and align the Texas Educational Opportunity Grant with the Tuition Equalization Grants and TEXAS Grants;
- Expand TEXAS Grant eligibility for nontraditional, (financially) independent students; and
- Align TEXAS Grant renewal criteria with academic progress standards used by Pell Grant and Stafford Loan programs.

The Board chose to modify and adopt other recommendations proposed by the consultant. In particular, the Board embraced the notion of including additional merit criteria for initial TEXAS Grant eligibility.

TEXAS Grant Initial Eligibility Merit Components: A Side-by-Side (Current v. Proposed)

Current	Proposed Eligibility (HEIA)	Proposed Eligibility (THECB)
Financial Need	Financial Need	Financial Need
Completion of Recommended High School Program	<ul style="list-style-type: none"> • Completion of Distinguished Achievement Program; or • Completion of Recommended Program and: <ul style="list-style-type: none"> ○ 1350 or above on SAT or minimum score of 18 on ACT; or ○ Rank in top half of high school graduating class. 	At least two of the following: <ul style="list-style-type: none"> • Completion of the Distinguished Achievement Program or International Baccalaureate Program; • Achievement of a college readiness score on SAT or ACT; • Rank in top third of H.S. graduating class; • Graduating with 3.0 high school GPA.

Source: Texas Higher Education Coordinating Board, 2008.

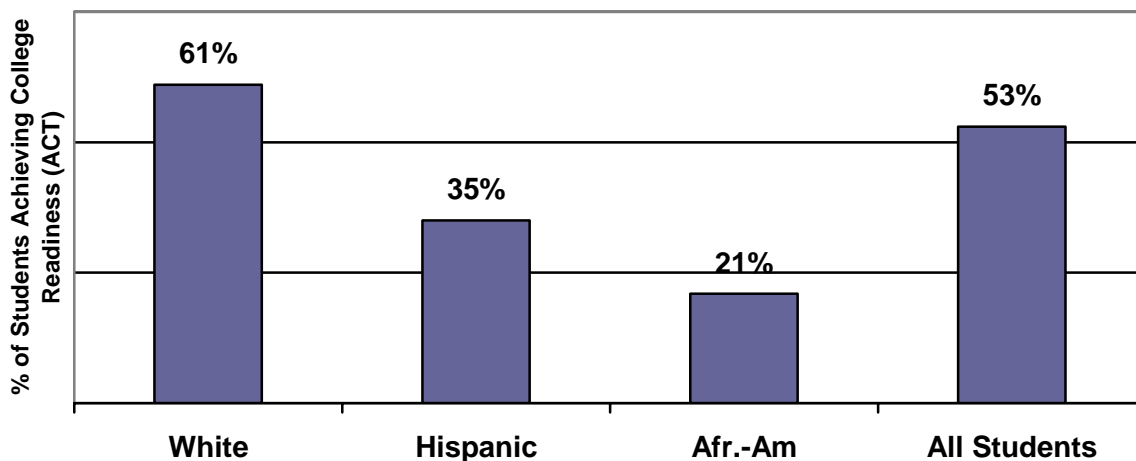
For this change to take effect, the Legislature must pass a state law directing the Board to administer the TEXAS Grant with these additional criteria. Many opponents of merit-based financial aid contend these changes will hurt needy, lower-income students, especially given the college readiness criteria for the SAT and the ACT. Even though *Closing the Gaps*—the state’s higher education mandate—attempts to increase the participation and success of African-American and Hispanic students, the achievement gap on these national tests remains significant, as shown below.

thereby improving the efficiency of TEXAS Grants funding. The Board supports these additional merit criteria only if TEXAS Grants funding reaches the level recommended in the Coordinating Board’s 2010-11 Legislative Appropriations Request (LAR).

Coordinating Board Pursues Increased Funding for Financial Aid

The Coordinating Board’s decision reflects the perpetual under-funding of the TEXAS Grant program. Current funding provides assistance to just more than half of eligible students, with at least 120,000 students per

National ACT College Readiness Benchmarks by Ethnicity, 2008



Source: ACT College Readiness Benchmark Scores, 2008, www.act.org/news/data/08/benchmarks.html.

This sizable achievement gap also persists on the ACT for English, Math, and Science.

Several legislators voiced concern and opposition to these changes by submitting letters to the Coordinating Board, contending that the recommendations run “counter to the vision and goals of *Closing the Gaps*, and will leave countless students without a means to achieve his or her dreams.”² The Board’s rationale is that merit criteria will improve the college success of TEXAS Grant recipients,

biennium denied a TEXAS Grant due to inadequate funding. Other state financial aid programs also continue to turn away students due to low funding levels. Overall, the Board requested 24 exceptional items, many designed to enhance access to postsecondary education through financial aid and college readiness.

In particular, the Board requested additional financial aid funding, as described below:

Summary of Texas Higher Education Coordinating Board’s Legislative Appropriations Request for Financial Aid

Program	Purpose	Current Biennial Funding (FY '08-'09)	Additional Biennial Funding Request	Additional Students Served (with LAR)
Texas Educational Opportunity Grant	Support students attending community colleges, 2-year schools	\$7 million	\$193.6 million	98,425
TEXAS Grant	Primary financial aid program, mostly for 4-year universities	\$427.9 million	\$367.6 million	63,977
Texas College Work-Study Program	Support work-study positions for students	\$7.5 million	\$5 million	5,314
B-On-Time Student Loan Program	Support students with forgivable loans upon maintain “B” average	\$77 million	\$100.6 million	29,000 to 35,000*
Total		\$519.4 million	\$666.8 million	196,716 to 202,716

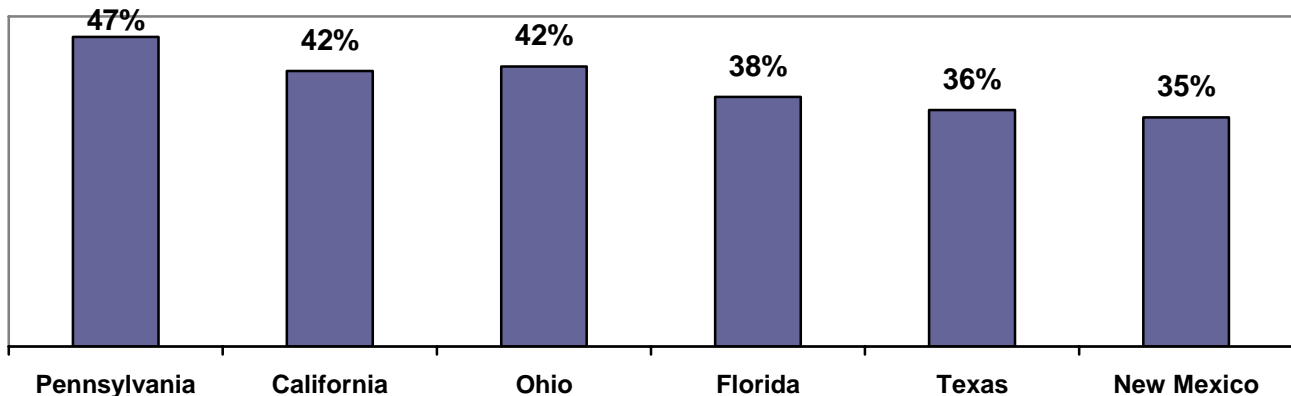
Source: Texas Higher Education Coordinating Board, 2008.

*The LAR for the B-On-Time Loan Program would enable the program to continue operation. Without this exceptional item, the program will be unable to fund renewal loans or new recipients by fiscal 2011.

As shown above, the Coordinating Board cannot meet the considerable demand for financial aid, compelling students and families to postpone postsecondary plans or navigate the turbulent student loan market. This chronic

under-funding of financial aid continues to produce sub-par postsecondary participation. Just more than one-third (35.8 percent) of Texas young adults (18-24) are enrolled in postsecondary education, ranking Texas 39th nationally.³

Share of Young Adults (18-24) Enrolled in Postsecondary Education, Texas and Other States, 2007



Source: American Community Survey 2007, U.S. Census Bureau.

The large scope of unmet need poses tremendous challenges for Texas employers seeking a qualified workforce for skilled positions. In many ways, each

eligible student denied financial aid because of inadequate state funding represents a missed opportunity to close the gaps.

¹ Higher Education Insight Associates, *Feasibility Study for Restructuring Texas Student Financial Aid Programs*, May 15, 2008.

² Letter from Texas State Senator Kirk Watson to the Texas Higher Education Coordinating Board, July 22, 2008.

³ American Community Survey 2007, Table B14004. Sex by College or Graduate School Enrollment by Type of School by Age for the Population 15 Years and Over, U.S. Census Bureau, Accessed November 2008.

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